

January 03, 2018

Diana Dooley, Secretary  
California Health and Human Services Agency  
1600 9th Street #460  
Sacramento, CA 95814

Dear Ms. Diana Dooley,

In accordance with the State Leadership Accountability Act (SLAA), the Department of Social Services submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2017.

Should you have any questions please contact Pat Leary, Chief Deputy Director, at (916) 657-2598, Pat.Leary@dss.ca.gov.

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## BACKGROUND

The mission of the California Department of Social Services (CDSS) is to serve, aid, and protect needy and vulnerable children and adults in ways that strengthen and preserve families, encourage personal responsibility and foster independence.

The CDSS provides administration and oversight of programs that affect nearly three million of California's most vulnerable residents; foster children and youth, children and families receiving aid through the California Work Opportunities and Responsibility to Kids (CalWORKs), adults and elderly in licensed community care facilities, and aged, blind, and disabled recipients requiring In-Home Supportive Services (IHSS) or Supplemental Security Income/State Supplementary Payment assistance. California is a state supervised, county administered system. Consequently, CDSS administers most of our state programs in partnership with California's 58 counties and sovereign tribes.

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## ONGOING MONITORING

As the head of Department of Social Services, Will Lightbourne, Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

### EXECUTIVE MONITORING SPONSOR(S)

The executive monitoring sponsor responsibilities include facilitating and verifying that the Department of Social Services internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to:

Will Lightbourne, Director, Pat Leary, Chief Deputy Director, and  
Kären Dickerson, Deputy Director Admin Div.

### MONITORING ACTIVITIES

Deputies will be leading ongoing, separate evaluations of the controls that will be reported as updates on a quarterly basis at an executive meeting. The meeting is also an opportunity to inform deputies of monitoring activities that are occurring, identify unforeseen issues, draw on the expertise in the room to

assist in mitigating risks, and revise action plans and re-prioritize controls and/or action steps that impact programs across the Department.

#### **ADDRESSING VULNERABILITIES**

Monitoring results will be documented in a summary of the executive meeting that will include an assessment update of the control/action steps, the emerging issues encountered, potential changes that may be necessary and monitoring successes. The summary is reported to the Department Director.

#### **COMMUNICATION**

The Department receives reports of control deficiencies via staff reporting to program management, and up to executives . All managers have been notified of and tested for knowledge of internal controls requirements. Reports of control deficiencies are logged into a departmental tracking system, and assessment within thirty days. Upon conclusion of the assessment, Management determines the type of corrective action to take.

#### **ONGOING MONITORING COMPLIANCE**

The Department of Social Services is in the process of implementing and documenting the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the Department of Social Services systems of controls and monitoring.

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### **RISK ASSESSMENT PROCESS**

The following personnel were involved in the Department of Social Services risk assessment process: Executive Management, and Middle Management.

#### **RISK IDENTIFICATION**

The Executive management team consisting of the chief deputy director and eleven deputy directors, surveyed and consulted with their middle management. Executives utilized a survey that identified risk from the SLAA Risk Catalog that included a likert scale to rank the possibility of the risk occurring.

#### **RISK RANKING**

Executive management held a meeting to analyze the survey results, and prior risks that may affect the Department. At the analysis development meeting, the executives finalized the top ranked risks from the survey for the SLAA report and designated an Executive Sponsor for each risk. The executives then clarified risk statements and developed action plans. The action plans identify the control/ action steps the Department plans to take to mitigate each identified risk.

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### **RISKS AND CONTROLS**

#### **RISK: OPERATIONS -EXTERNAL-STAFF—RECRUITMENT, RETENTION, STAFFING LEVELS**

The CDSS is enduring difficulties in recruiting skilled candidates for specialized positions and retaining staff in mission critical positions. A specific risk is difficulty attracting candidates with specialty skills where the private sector generally offers higher wages. Additionally, as the economy improves and the unemployment

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rate lowers, this may result in a smaller candidate pool.

- Significant increase in retirement rate has produced a large vacancy rate for the agency.
- Historically, civil service salaries have not been commensurate with private sector wages. The CDSS has vacancies that require specialized skills and innovative staff, which are harder to recruit due to generally higher wages offered in the private sector.
- The physical location of CDSS Headquarters in Downtown Sacramento has created a recruitment challenge due to the additional parking and transportation costs, as well as longer commute times.
- Civil Service recruitment is challenged with dismantling the public stereotype of being a government employee.

This had led to a lengthy hiring process, creating a gap between retirements and recruitments which can cause a loss in knowledge transfer for oncoming staff, as well as losing qualified candidates accepting other employment offers. Further, it could result in an inability to serve clients and/or slowing our ability to do so, which can result in not fulfilling the CDSS mission.

#### **CONTROL A**

##### ***Describe the control designed to help mitigate the risk.***

The CDSS will assemble a Managers Roundtable in the first quarter of 2018. Agendas will also include identified recruitment and retention issues. The Manager's Roundtable will meet on a quarterly basis. The CDSS Managers Roundtable will mitigate risk by producing information sharing, think tank opportunities, and collaboration endeavors.

#### **CONTROL B**

The CDSS Unit that oversees Recruitment and Retention programs will build a cross-divisional workgroup with the goal of hosting an annual career fair open to the public. The first career fair is projected for the third quarter of 2018. Additionally, the workgroup will convene to identify hard to fill vacancies and implement strategies.

- The CDSS Recruitment and Retention Program's Unit will aid in:
  - Showcasing the Department mission and values
  - Connect candidates with the meaningful work the Department does
  - Market the Department as a choice employer
  - Connect hiring managers with potential candidates
  - Filling vacancies effectively and timely with innovative candidates

#### **CONTROL C**

The CDSS will utilize a newly developed First-Line Supervisor's training curriculum to align with the new mandates required by amendments made to California Government Code 19995.4. The CDSS Supervisors Academy will help build a more robust training curriculum resulting in increased knowledge, an understanding of retention and recruitment issues, and upholding of the CDSS workplace values

#### **RISK: OPERATIONS -INTERNAL-STAFF—TRAINING, KNOWLEDGE, COMPETENCE**

The risk of not providing sufficient training to the field employees is that the vulnerable populations the Department of Social Services (CDSS) is called to protect would be compromised and individuals in licensed facilities could be subjected to abuse and neglect. Specifically:

- Community Care Licensing Division (CCLD) would not meet the mission to protect the health and

safety of California's most vulnerable populations and could subject individuals at licensed facilities to abuse and neglect.

- The credibility of CCLD by the Governor, legislature, stakeholders, providers and media would be compromised if the employees were unable to carry out the mission to protect health and safety by correctly identifying violations of California Code of Regulations and the Health and Safety Code and identifying adequate solutions with the licensees to correct the problem.
- Succession planning of CCLDs workforce would be minimized as employees would not be properly prepared for upward mobility. Employee morale and confidence in being able to perform the duties assigned would be compromised and CCLD risks losing employees to other entities.
- Laws and regulations continuously change and if field staff are not properly trained, they risk wrong interpretation or issuing incorrect deficiencies.
- Inefficient use of state tax dollars and an increase in time spent by managers in responding to appeals and having to correct work. In addition, if employees are not properly trained to use technical programs, there is increased time spent by employees trying to learn the program and an increase in errors.

During the Great Recession, diminished resources were redirected to field operations and support services, including training were significantly impacted. New processes to adapt to the diminished resources soon became standard practice, which undermined the effectiveness of the Division's training for staff. While resources have been increased, some of the fundamental structural changes necessary to restore a robust training program have not been completed.

Lack of timely, thorough and coordinated training has led to inefficient and inconsistent practices throughout the state.

#### **CONTROL A**

Develop an integrated training plan that satisfies the training needs for new licensing staff and seasoned staff. The training plan will include, but not be limited to, the Licensing Program Academy, ad-hoc trainings based on specific program needs, and prescribed trainings that will cover division-wide issues. Delivery of trainings will include both in-person and in-time opportunities using a learning management system.

#### **CONTROL B**

Establish standards of communication through a division-wide written communication plan. Regular communication meetings will identify training gaps and present opportunities for improvement.

#### **CONTROL C**

Employ Issues Councils within each Program of the Community Care Licensing Division to facilitate the communication of best practices and process improvements through regular division-wide meetings.

### **RISK: OPERATIONS -INTERNAL-TECHNOLOGY—DATA SECURITY**

CDSS collects and maintains data that include public, confidential, sensitive, and personal (CSP) information that are important CDSS information assets. As part of protecting its information assets, CDSS strives to manage data security and privacy by implementing appropriate security technologies, as well as developing and implementing security policies, standards, guidelines, processes, and procedures.

In the event there is unauthorized use, access, modification, loss, destruction, or disclosure of CDSS information assets, the following are potential impacts to CDSS:

- Repercussions of potential failures or breaches in security and privacy that could be catastrophic to California's neediest citizens. Liability for failure to comply with mandated federal and state requirements/regulations resulting in civil penalties, sanctions, and/or judgments being assessed against state entities and their employees.
- The ability of CDSS employees to conduct their daily duties and prepare work products in order to meet deadlines that fulfill the CDSS mission, goals, and objectives could be impeded.
- Non-compliance may result in a reduction or elimination of CDSS' IT purchasing authority.
- Negative publicity that may occur in the aftermath of a breach of information would cause loss of public confidence in CDSS' ability to protect their information.

The potential causes of these risks are due to several factors including:

- Limited resources dedicated to security;
- Human error;
- Inadequate hardware & software protection;
- Informal and/or lack of development, quality assurance, and deployment strategies;
- Informal and/or lack of policies, standards, processes, procedures, and training;
- Insider threats;
- Malicious actors (external threats)

The failure to implement adequate security controls over CDSS information assets could potentially lead to irretrievable loss of data, regulatory notification, monetary fines, indemnity, and reputational damage to the State, CDSS, and its customers and clients.

#### **CONTROL A**

To mitigate these risks, the Information Systems Division will work closely with the appropriate internal and external partners to:

- Engage with a 3rd party consultant to conduct an information security assessment (audit) resulting in a roadmap to address data security concerns.

#### **CONTROL B**

To mitigate these risks, the Information Systems Division will work closely with the appropriate internal and external partners to:

- Continue to revise and develop security policies, standards, guidelines, processes, procedures, and best practices, to further strengthen CDSS' security program to protect information assets.

#### **RISK: OPERATIONS -INTERNAL-TECHNOLOGY—SUPPORT, TOOLS, DESIGN, OR MAINTENANCE**

The California Department of Social Services (CDSS) currently has legacy systems in our technology stack – the Community Care Licensing Division (CCLD) Licensing Information System (LIS) and the Field Automation System (FAS) – which are based on ADABAS/Natural and IBM Notes and Domino - languages that have been out of use in programming for many years. These legacy systems are difficult to maintain and face a greater risk of failure due to the age of the technology and the challenges with interfacing with modern technology solutions. Along with the technological drawbacks, the Department has had major challenges with hiring staff with the required skillset to maintain these legacy systems – the LIS was built in the 1970s and the FAS in the early 2000s. Most of the qualified support staff have since retired, and current IT staff in the resource pool are unfamiliar with the development languages and technology. The inability to hire appropriately skilled resources in a timely fashion results in a backlog of service requests, extensive

delays in required fixes and patches for the system, inadequate support for our internal and external customers. The aging legacy infrastructure and our difficulty finding staff with the specialized skillsets put these mission-critical systems at a high risk of failure, which, in turn, can have catastrophic impacts to the public we serve.

The LIS is a mission-critical system that contains information about facilities, the people that work in those facilities, and any legal cases pending against facilities or the people working in them. The system sends information about the employees of facilities to the Department of Justice (DOJ) requesting a criminal background check. The DOJ sends back the results of the background check which is then stored in LIS. Any legal actions against facilities or the people that work in them are tracked by the Legal Case Tracking System (LCTS) component of LIS. All billing and fee collection is done through LIS. If the system fails, court cases cannot be tracked, processed or completed; criminal background checks cannot be done; and bills for fees cannot be sent out. The danger to the public is that people who should not be working in a facility cannot be excluded or facilities that should be closed are left operating. This could lead to an increased exposure to the public of dangerous conditions, accidents, or even death.

The FAS is also a mission-critical system that allows licensing program analysts (LPAs) in the field to complete facility inspection documents while at the residential or childcare facility and leave the required copies of the documents with the facility. It is used by CCLD Adult Care, CCLD Senior Care, CCLD Children's Residential, CCLD Child Care, and CCLD Home Care. Any failure of the system will result in the LPAs inability to do facility inspections, investigate complaints, and manage their workload. This puts the public at risk because facilities that are not in compliance with Title 22 can be allowed to operate. This could result in putting the clients of the care facilities at risk and in danger of accident, injury or even death.

#### **CONTROL A**

To mitigate the risk, CDSS will have current subject matter experts document the current legacy systems (LIS) and (FAS) and provide knowledge transfer to other current technical staff.

#### **RISK: OPERATIONS -INTERNAL-FI\$CAL IMPLEMENTATION, MAINTENANCE, OR FUNCTIONALITY**

The existing accounting system, CALSTARS and its 296 supporting databases meet the requirements of the California Department of Social Services federally approved public assistance cost allocation plan (PACAP) to ensure continuous receipt of federal funds, accurately and timely financial reporting to the federal government, and provide timely and critical financial reports for Management's oversight and decision-making on key budget and program policies.

Currently, FI\$Cal is unable to meet the current needs of CDSS' PACAP and provide reports with the same level of information for continued business needs in the federal financial reports and management tools. As a result, the missing FI\$Cal functionalities puts CDSS at risk if they are not completed by CDSS' go live date of July 1, 2018.

I. This could result in some or all of the following:

1. Jeopardize Receipt of Federal Funds:
2. Put CDSS out of compliance with the approved PACAP requirements for the allocation of costs to benefiting programs based on group time study requirements at an organization's unit level. This includes retroactive corrections to a prior reporting period's respective allocation base of benefiting programs. Deviation from the federal approved public assistance cost allocation plan may result in audit findings and future federal funds.
3. Lack of proper reporting tools to meet federal financial reporting with accurate and timely data. These reports are used to reimburse states and budget decisions in funding distribution

nationwide.

4. Loss of federal funds puts a significant financial strain of funding to counties and recipients, including a potential general fund backfill impact that results in redirecting general fund from other State priorities.
5. Jeopardize CDSS' ability to meet our mission and goals in providing needed assistance and health and safety oversight to the most vulnerable and needy adults and children that may result in negative consequences of preventable death, negative media, and loss of integrity and fiscal prudence.
6. CDSS uses the General Fund Loan Authority to make mandated payments when there is a gap between the receipt of reimbursements from another State Department or delay in receipt of federal funds, such as the In Home Supportive Services payroll, Adoptions and Foster Care maintenance payments. Reporting failure could leave CDSS unable to electronically track the general fund loan and funding source to repay the general fund loan.

#### 7. Late FI\$Cal Financial Data

- CDSS would be unable to provide timely month-end reconciliations and proper financial oversight in accordance with the State Administrative Manual.
- CDSS would be unable to meet the State Controller's Office year-end reporting deadlines, and CDSS data would be excluded from the Comprehensive Annual Financial Report that may affect the State's credit rating.
- Potential loss of Revenue.

#### II. State Controller's Office pending decision to allow CDSS to continue the Welfare Advance Fund (WAF) and FI\$Cal Workaround to allow for Federal Cash on Hand

- The WAF works like the State's Clearing Account. It allows multiple payments from multiple funding sources, programs, and fiscal years in one payment. WAF is used for CDSS's local Assistance payments to counties. This is due to a cash claim and statutory due dates for counties submission of the current claim and its adjustment claims. At this point in time, neither the SCO has approved WAF continuance nor will FI\$Cal meet the funding needs of these county payments. The inability for the Department to provide the required public assistance funding timely, accurately, and identifying programs will result in cash flow hardships to counties and the recipients we serve.

#### **CONTROL A**

CDSS has established a FI\$Cal Department Implementation Team (DIT) with representatives from the key business areas within the Administration and Information Systems Divisions. This team meets weekly to provide updates and discuss upcoming tasks. This team also attends the monthly California Health and Human Services Agency FI\$Cal SWAT meetings that focus on departments progress and issues. These meetings are led by an Agency Lead and an undersecretary. The Agency FI\$Cal SWAT leader is the liaison with the Department of FI\$Cal's executives and the undersecretary sits on FI\$Cal's Customer Impact Committee. Additionally, the Administration Division has a contracted vendor team to assist Administration Division with the FI\$Cal conversion. This vendor team has extensive PeopleSoft knowledge and experience at the Department of FI\$Cal and successfully transitioned other California Departments to FI\$Cal.

#### **RISK: OPERATIONS -INTERNAL-NEW SYSTEM IMPLEMENTATION (OTHER THAN FI\$CAL)**

Although the rollout date is yet to be determined, the Disability Determination Service Division (DDSD) will begin to transition to the Social Security Administration's (SSA) Disability Case Processing System (DCPS)



within the next two years, most likely in calendar year 2019. The DCPS is a critical initiative that will replace 52 independently operated legacy systems used by state agencies (Disability Determination Services or DDSs, of which the CDSS/DDSD is one) to assist with making disability determinations for SSA as required by statute. The DCPS will replace the outdated legacy systems with a modern, scalable, and secure application capable of providing the flexibility and high performance that the DDSs need to process disability claims timely and efficiently.

Presuming a July 1, 2018, rollout as scheduled for FISCAL, the DDSD will need to concurrently ensure that its current legacy system for case processing (MIDAS) as well as the DCPS are able to effectively transmit applicable payment and fiscal reporting data to/from the FISCAL interface. This not only involves ensuring the DDSD's legacy and future systems are able to communicate with the CDSS's FISCAL interface, but also with the California State Controller's Office (SCO) FISCAL interface, also tentatively scheduled to go live July 1, 2018.

In addition to the fiscal considerations, any workarounds related to ongoing development or system delays caused by the DCPS can have a significant impact on the DDSD's ability to provide appropriate and expected levels of customer service. The DDSD's Mean Processing Time for the adjudication of cases as well as the accuracy of those adjudicative determinations could be negatively impacted.

There is risk inherent in any major government Information Technology project, and the DCPS and FISCAL both fall into this category. The risk is compounded with DCPS and FISCAL essentially being rolled out concurrently or in close proximity. This can stretch staffing resources as they plan for multiple rollout possibilities:

- MIDAS -> CALSTARS (status quo)
- MIDAS -> FISCAL
- DCPS -> CALSTARS
- DCPS -> FISCAL (eventual end-goal)

Multiple additional iterations become apparent if the SCO does not transition to FISCAL at the same time as the CDSS.

There are also redundancy factors, with both the DDSD and CDSS Accounting, even after conversions to the new systems, maintaining the respective legacy systems.

Interface problems among the various systems can cause delays in the DDSD's ability to make accurate and timely payments to our vendors\*. Interface problems among the various systems can cause delays in the DDSD's ability to make accurate and timely fiscal reporting commitments to agencies that include the Internal Revenue Service (by way of the CA Franchise Tax Board, which conducts 1099 reporting to the IRS on the DDSD's behalf), the CA Employment Development Department, and the SSA. This could put the CDSS/DDSD out of compliance with Federal and State fiscal reporting requirements, with potential fines and audits. Providing inaccurate and/or untimely payments to our vendors will have a significant programmatic impact as we rely on our vendors to provide records and services timely in order for DDSD to effectively process disability claims. In addition, late payments may result in a violation of the Prompt Payment Act.

*\* Vendors are any source that might have medical, educational, vocational, or similar records to substantiate a claim for Social Security Disability Insurance and/or Supplemental Security Income. The DDSD also contracts with such sources to provide consultative services when needed.*



### **CONTROL A**

The DDSD has numerous key players involved with DCPS to ensure effective communication and ensure the needs of the DDSD are met. This includes membership on the national DCPS Steering Committee, and other DDSD Subject Matter Experts significantly involved with providing input to SSA on DCPS design and implementation. The CDSS DDSD Deputy Director represents Region IX states on the DCPS Steering Committee, which meets biweekly to ensure the project is moving forward in the most effective and efficient way. The DDSD Central Support Services Branch meets monthly, and as needed, with the DDSD Deputy Director to provide updates on the progress of the DCPS and FI\$CAL projects.

The SSA and DDSD will collaborate to develop a gap analysis document to determine which fiscal processes need to be designed/implemented. System requirements have already been provided to SSA by DDSD and the gap analysis will be initiated as soon as SSA resources are available, ideally 9-12 months prior to DCPS implementation.

The DDSD is in the planning stages with the CDSS FI\$CAL team and will be meeting with SCO in January 2018 to discuss the implementation of FI\$CAL.

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### **CONCLUSION**

The Department of Social Services strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

**Will Lightbourne, Director**

CC: California Legislature [Senate (2), Assembly (1)]  
California State Auditor  
California State Library  
California State Controller  
Director of California Department of Finance  
Secretary of California Government Operations Agency